

IOWA NORTHLAND REGIONAL
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641) 257-4222

TABLE OF CONTENTS

	<u>Page</u>
<u>MEMBERS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-6
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Statement of Net Position	A 7
Statement of Revenues, Expenses and Changes in Net Position	B 8-9
Statement of Cash Flows	C 10
Notes to Financial Statements	11-15
 <u>SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Schedule of Program Net Position	1 16
Statement of Selected Project Costs and Computation of Selected Project Grants	2 17-19
Schedule of Expenditures of Federal Awards	3 20
 <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	
	21-22
 <u>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</u>	
	23-24
<u>SCHEDULE OF FINDINGS</u>	25-26

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS

MEMBERS

<u>Name</u>	<u>Representing</u>	<u>Name</u>	<u>Representing</u>
Larry Young, Chair	City of Shell Rock	Bonita Davis	City of Independence
Frank Magsamen, Vice-Chair	Black Hawk County	Ralph Kremer	Buchanan County
Mark Schildroth, Secretary	Grundy County	Dave Swenumson	City of Ionia
Jon Crews, Treasurer	City of Cedar Falls	Sandi Carroll	City of Janesville
Rex Ackerman	Butler County	David Bishop	City of Jesup
Scot Henrichs	City of Allison	David Neil	City of LaPorte City
Issac Carter	City of Alta Vista	Eleanor McGraw-Riley	City of Lamont
Jason Mehmen	City of Aplington	Mark Mueterthies	City of Lawler
Jack Bolles	City of Aredale	David Hach	City of Morrison
Jean Kivell	City of Aurora	Deanne Lantow	City of Nashua
Ann Smith	City of Beaman	Bob Martin	City of New Hampton
Guy Stacy	City of Brandon	Steve Geerts	Chickasaw County
Dennis Peterson	City of Bristow	David Geerts	City of North Washington
David Kelm	City of Clarksville	John Anderson	City of New Hartford
Jeff Martin	City of Conrad	Denny Kannegieter	City of Parkersburg
Rod Diercks	City of Denver	Tom Geise	City of Plainfield
Mike Soppe	City of Dike	Chad Staton	City of Quasqueton
Edwin Mouw	City of Dumont	Monte Johnson	City of Raymond
Edward Jessen	City of Dunkerton	Dan Wedemeier	City of Readlyn
Tim Swope	City of Elk Run Heights	Shawn Murphy	City of Reinbeck
Doug Faas	City of Evansdale	Rita Knutson	City of Rowley
Bill Cowell	City of Fairbank	Rodger Sill	City of Stanley
Bryan O'Day	City of Fredericksburg	Joe Rich	City of Stout
Wesley Hicock	City of Frederika	Gary Walke	City of Sumner
Mark Thome	City of Gilbertville	Jay Ranard	City of Tripoli
William Christensen	City of Greene	Buck Clark	City of Waterloo
Brian Buhrow	City of Grundy Center	Charles Infelt	City of Waverly
Gerald Vandevorde	City of Hazelton	Duane Hildebrandt	Bremer County
Scott Borchardt	City of Holland	Camie Nederhoff	City of Wellsburg
Kevin Lauderville	City of Hudson	Gerald Dennie	City of Winthrop



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Northland Regional Council of Governments
Waterloo, IA 50703

Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Northland Regional Council of Governments (INRCOG), as of and for the year ended June 30, 2014, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INRCOG as of June 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about methods of preparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise INRCOG's basic financial statements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 1, 2014 on my consideration of INRCOG's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering INRCOG's internal control over financial reporting and compliance.



Charles City, Iowa
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Northland Regional Council of Governments (INRCOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. I encourage readers to consider this information in conjunction with INRCOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- INRCOG's operating revenues increased 6.1%, or \$325,185, from fiscal 2013 to fiscal 2014. Federal and state funds increased due to more funds for individuals and businesses impacted by the floods of 2008.
- INRCOG's operating expenses were 4.4%, or \$241,791 more in fiscal 2014 than in fiscal 2013 due mainly to increased expenses for flood programs.
- INRCOG's net position decreased 0.7%, or \$29,226, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The Iowa Northland Regional Council of Governments is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to INRCOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of INRCOG's financial activities.

The Statement of Net Position presents information on INRCOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of INRCOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether INRCOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in INRCOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how INRCOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary information provides detailed information about the revenues, expenses and changes in net position, in addition to providing detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of INRCOG's financial position. INRCOG's net position for fiscal 2014 totaled approximately \$3,891,737. This compares to approximately \$3,920,963 at the end of fiscal 2013. A summary of INRCOG's net position is presented below.

Net Position		June 30,	
		2014	2013
Current assets		\$2,876,577	\$2,401,093
Non-current assets		183,639	218,843
Capital assets at cost, less accumulated depreciation		1,607,230	1,838,557
Total assets		<u>\$4,667,446</u>	<u>\$4,458,493</u>
Current liabilities		<u>\$ 775,709</u>	<u>\$ 537,530</u>
Net position:			
Reserved		\$ 170,175	\$ 352,805
Unreserved		<u>3,721,562</u>	<u>3,568,158</u>
Total net position		<u>\$3,891,737</u>	<u>\$3,920,963</u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

Changes in Net Position		Year Ended June 30,	
		2014	2013
Operating Revenues:			
Grants		\$3,217,807	\$3,140,608
Program reimbursements and other local sources		2,393,605	2,145,619
Total operating revenues		<u>\$5,611,412</u>	<u>\$5,286,227</u>
Operating Expenses		<u>5,650,998</u>	<u>5,409,207</u>
Operating Income (loss)		<u>\$ (39,586)</u>	<u>\$ (122,980)</u>
Non-operating revenues (expenses):			
Interest income		\$ 12,294	\$ 14,710
Interest expense		(1,934)	(4,329)
Gain on sale of fixed assets		-	9,500
Net non-operating revenues (expenses)		<u>\$ 10,360</u>	<u>\$ 19,881</u>
Change in net position		<u>\$ (29,226)</u>	<u>\$ (103,099)</u>
Net position beginning of year		<u>3,920,963</u>	<u>4,024,062</u>
Net position end of year		<u>\$3,891,737</u>	<u>\$3,920,963</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in the net position at the end of the fiscal year.

- Net position for the year decreased \$29,226. This decrease was due to increased grant expenditures.
- INRCOG's operating expenses (without depreciation) were \$5,419,671 and operating revenues were \$5,611,412. With depreciation, the total expenses were \$5,650,998 and operating revenues remained at \$5,611,412.
- State funds and federal funds for the year totaled \$3,217,807. These same funding sources for the previous fiscal year totaled \$3,140,608. These same funding sources are projected to decrease from fiscal year 2013 to fiscal year 2014 due to decreased funds available for flood recovery.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by the operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2014, INRCOG had approximately \$1,607,230 invested in capital assets, net of accumulated depreciation of approximately \$1,766,549. Depreciation expense totaled \$231,327 for fiscal year 2014. More detailed information about INRCOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The Iowa Northland Regional Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2015 budget and fees that will be charged for Agency activities. INRCOG general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING INRCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of INRCOG's finances and to show INRCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa Northland Regional Council of Governments, 229 E Park Avenue, Waterloo, IA 50703.

Basic Financial Statements

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Iowa Northland</u>		
	<u>Regional</u>	<u>Council</u>	
	<u>Transit</u>	<u>of</u>	
	<u>Commission</u>	<u>Governments</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 407,279	\$1,270,506	\$1,677,785
Investments (at cost)	102,031	204,063	306,094
Accounts receivable	143,883	697,944	841,827
Notes receivable	-	46,266	46,266
Prepaid expenses	-	4,605	4,605
Total current assets	<u>\$ 653,193</u>	<u>\$2,223,384</u>	<u>\$2,876,577</u>
Noncurrent assets:			
Notes receivable	<u>\$ -</u>	<u>\$ 183,639</u>	<u>\$ 183,639</u>
Fixed assets:			
Furniture and equipment	\$ 54,126	\$ 134,082	\$ 188,208
Vehicles - unrestricted	148,533	-	148,533
Vehicles - restricted	1,124,367	-	1,124,367
Building and improvements	-	1,912,671	1,912,671
Total	<u>\$1,327,026</u>	<u>\$2,046,753</u>	<u>\$3,373,779</u>
Less accumulated depreciation	<u>(1,225,358)</u>	<u>(541,191)</u>	<u>(1,766,549)</u>
Net fixed assets	<u>\$ 101,668</u>	<u>\$1,505,562</u>	<u>\$1,607,230</u>
Total assets	<u>\$ 754,861</u>	<u>\$3,912,585</u>	<u>\$4,667,446</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 121,862	\$ 356,861	\$ 478,723
Accrued wages and payroll taxes payable	11,234	22,298	33,532
Accrued benefits payable	4,901	18,618	23,519
Unearned revenue	-	239,935	239,935
Total current liabilities	<u>\$ 137,997</u>	<u>\$ 637,712</u>	<u>\$ 775,709</u>
NET POSITION:			
Reserved (Note 2)	\$ 79,464	\$ 90,711	\$ 170,175
Unreserved	<u>537,400</u>	<u>3,184,162</u>	<u>3,721,562</u>
Total net position	<u>\$ 616,864</u>	<u>\$3,274,873</u>	<u>\$3,891,737</u>

See Notes to Financial Statements.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

	<u>Iowa Northland</u>		
	<u>Regional</u>	<u>Council</u>	
	<u>Transit</u>	<u>of</u>	
	<u>Commission</u>	<u>Governments</u>	<u>Total</u>
OPERATING REVENUES:			
Federal funds	\$ 355,834	\$2,426,740	\$2,782,574
State funds	291,932	143,301	435,233
Local funds:			
Contract revenue	1,140,121	1,070,391	2,210,512
Membership revenue	-	99,748	99,748
In kind	-	67,900	67,900
Miscellaneous	1,917	13,528	15,445
Total operating revenues	<u>\$1,789,804</u>	<u>\$3,821,608</u>	<u>\$5,611,412</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ -	1,092,014	\$1,092,014
Drivers' salaries and benefits	243,956	-	243,956
Travel	-	21,192	21,192
Meals	-	5,998	5,998
Seminars	18	2,160	2,178
Telephone/internet	889	6,083	6,972
Contracted services	188,561	2,308,321	2,496,882
Office supplies	1,068	7,806	8,874
Miscellaneous	-	266	266
Postage	1,145	5,850	6,995
Bad debt	3	-	3
Copy expense	2,204	4,068	6,272
Advertising and notices	2,518	4,640	7,158
Professional memberships	2,557	13,266	15,823
Recording fees	-	339	339
Administrative overhead	60,005	-	60,005
Transportation cost	1,187,496	-	1,187,496
Administrative expense - EDA RLF	-	4,900	4,900
Provision for forgivable loan	-	114,069	114,069
Administrative expense - INRHC	-	1,525	1,525
Relocation	-	1,669	1,669
Insurance	27,838	23,493	51,331
Equipment maintenance	-	10,788	10,788
Service agreement	-	16,264	16,264
Utilities	-	16,944	16,944
Inspections	-	779	779
Printing	-	1,312	1,312
Depreciation	168,860	62,467	231,327
Legal and accounting	18,387	17,456	35,843
Radio service	1,824	-	1,824
Total operating expenses	<u>\$1,907,329</u>	<u>\$3,743,669</u>	<u>\$5,650,998</u>
Operating Income (loss)	<u>\$ (117,525)</u>	<u>\$ 77,939</u>	<u>\$ (39,586)</u>
Non-operating revenues (expenses):			
Interest income	\$ 1,642	\$ 10,652	\$ 12,294
Interest expense	-	(1,934)	(1,934)
Net non-operating revenues (expenses)	<u>\$ 1,642</u>	<u>\$ 8,718</u>	<u>\$ 10,360</u>

(continued)

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

	Iowa Northland		
	Regional	Council	
	Transit	of	
	Commission	Governments	Total
Change in net position	\$ (115,883)	\$ 86,657	\$ (29,226)
Net position beginning of year	732,747	3,188,216	3,920,963
Net position end of year	<u>\$ 616,864</u>	<u>\$3,274,873</u>	<u>\$3,891,737</u>

See Notes to Financial Statements.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	Iowa Northland		
	Regional Transit Commission	Council of Governments	Total
Cash flows from operating activities:			
Cash received from membership revenue	\$ -	\$ 99,748	\$ 99,748
Cash received from contract fees	1,088,654	1,270,784	2,359,438
Cash received from miscellaneous sources	1,917	13,528	15,445
Cash received from state operating grants	291,932	143,301	435,233
Cash received from federal operating grants	355,834	2,227,212	2,583,046
Cash paid for salaries and benefits	(241,146)	(1,092,820)	(1,333,966)
Cash paid for administration	(1,442,466)	(2,225,641)	(3,668,107)
Net cash provided (used) by operating activities	<u>\$ 54,725</u>	<u>\$ 436,112</u>	<u>\$ 490,837</u>
Cash flows from noncapital financing activities:			
Cash received from line of credit	\$ -	\$ 45,175	\$ 45,175
Cash used to repay line of credit	<u>-</u>	<u>(234,661)</u>	<u>(234,661)</u>
Net cash provided (used) by noncapital financing activities	<u>\$ -</u>	<u>\$ (189,486)</u>	<u>\$ (189,486)</u>
Cash flows from investing activities:			
Cash paid for investments	\$ (635)	\$ (1,271)	\$ (1,906)
Interest received	<u>1,642</u>	<u>10,652</u>	<u>12,294</u>
Net cash provided by investing activities	<u>\$ 1,007</u>	<u>\$ 9,381</u>	<u>\$ 10,388</u>
Net increase (decrease) in cash	\$ 55,732	\$ 256,007	\$ 311,739
Cash and cash equivalents beginning of year	<u>351,547</u>	<u>1,014,499</u>	<u>1,366,046</u>
Cash and cash equivalents end of year	<u>\$ 407,279</u>	<u>\$1,270,506</u>	<u>\$1,677,785</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (117,525)	\$ 77,939	\$ (39,586)
Adjustments for long-term non-cash items:			
Depreciation	168,860	62,467	231,327
Revenues and expenses not classified as operating	-	(1,934)	(1,934)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables and notes	(51,403)	(72,974)	(124,377)
(Increase) decrease in prepaid expenses	-	(2,258)	(2,258)
(Decrease) increase in accounts payable	51,983	295,647	347,630
(Decrease) increase in accrued wages payable	1,796	(4,082)	(2,286)
(Decrease) increase in accrued benefits payable	1,014	3,276	4,290
(Decrease) in unearned revenue	<u>-</u>	<u>78,031</u>	<u>78,031</u>
Net cash provided (used) by operating activities	<u>\$ 54,725</u>	<u>\$ 436,112</u>	<u>\$ 490,837</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ -</u>	<u>\$ 1,934</u>	<u>\$ 1,934</u>

See Notes to Financial Statements.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Organization

The Iowa Northland Regional Council of Governments (INRCOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 7 which includes Black Hawk, Bremer, Buchanan, Butler, Chickasaw, and Grundy counties. INRCOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). INRCOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. INRCOG also provides transportation services to the elderly, disabled and rural areas through the Iowa Northland Regional Transit Commission. In performing its duties, INRCOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, INRCOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with INRCOG are such that exclusion would cause INRCOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of INRCOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on INRCOG. INRCOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounts of INRCOG are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(b) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

INRCOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

INRCOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the INRCOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Investments - Investments are stated at cost which approximates market.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners with the intent that if certain target performances have been satisfied, a portion of the loans may be forgiven.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by INRCOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Moving Costs	500
Leasehold Improvements	500
Building and Improvements	500

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

Capital assets of INRCOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In years)</u>
Furniture and Equipment	5
Vehicles	5
Moving Costs	5
Leasehold Improvements	5-39
Building and Improvements	5-39

Accrued Benefits Payable - Accrued benefits payable are earned vacation time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2014.

Unearned Revenue - Unearned revenue represents dues received from members for the next year and various grant advanced funding.

Reserved Net Position - The Council of Government's reserved net position represents the reserve for revolving loan funds. The Agency received grant funds to establish revolving loan funds for housing needs.

The Regional Transit Commission's reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

INRCOG's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

INRCOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

INRCOG had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - INRCOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of INRCOG.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(4) Capital Assets

A summary of capital assets for the year ended June 30, 2014 is as follows:

<u>Iowa Northland Regional Council of Governments</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 134,082	\$ -	\$ -	\$ 134,082
Building and improvements	<u>1,912,671</u>	<u>-</u>	<u>-</u>	<u>1,912,671</u>
Total capital assets	<u>\$2,046,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,046,753</u>

Less: accumulated depreciation for:

Furniture and equipment	\$ 111,580	\$ 10,747	\$ -	\$ 122,327
Building and improvements	<u>367,144</u>	<u>51,720</u>	<u>-</u>	<u>418,864</u>
Total accumulated depreciation	<u>\$ 478,724</u>	<u>\$ 62,467</u>	<u>\$ -</u>	<u>\$ 541,191</u>
Total capital assets, net	<u>\$1,568,029</u>	<u>\$ (62,467)</u>	<u>\$ -</u>	<u>\$1,505,562</u>

<u>Iowa Northland Regional Transit Commission</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 57,731	\$ -	\$ 3,605	\$ 54,126
Vehicles - unrestricted	148,533	-	-	148,533
Vehicles - restricted	<u>1,124,367</u>	<u>-</u>	<u>-</u>	<u>1,124,367</u>
Total capital assets	<u>\$1,330,631</u>	<u>\$ -</u>	<u>\$ 3,605</u>	<u>\$1,327,026</u>

Less: accumulated depreciation for:

Furniture and equipment	\$ 57,731	\$ -	\$ 3,605	\$ 54,126
Vehicles - unrestricted	113,033	13,295	-	126,328
Vehicles - restricted	<u>889,339</u>	<u>155,565</u>	<u>-</u>	<u>1,044,904</u>
Total accumulated depreciation	<u>\$1,060,103</u>	<u>\$ 168,860</u>	<u>\$ 3,605</u>	<u>\$1,225,358</u>
Total capital assets, net	<u>\$ 270,528</u>	<u>\$ (168,860)</u>	<u>\$ -</u>	<u>\$ 101,668</u>

(5) Pension and Retirement Benefits

INRCOG contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(5) Pension and Retirement Benefits - continued

Plan members are required to contribute 5.95% of their annual covered salary and INRCOG is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. INRCOG's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$93,118, \$96,450 and \$95,124, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$262 for single coverage and \$749 for family coverage. For the year ended June 30, 2014, the Agency contributed \$62,770 and plan members eligible for benefits contributed \$30,473 to the plan.

(7) Risk Management

INRCOG is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. INRCOG assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Short-Term Notes Payable - Line of Credit

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$500,000 at a variable rate of interest. The line of credit is used for the jumpstart program expenditures. Line of credit activity for the year ended June 30, 2014 is as follows:

Balance			Balance
Beginning	Advances	Advances	End
of year	Received	Repaid	of year
<u>\$189,486</u>	<u>\$ 45,175</u>	<u>\$234,661</u>	<u>\$ -</u>

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Supplementary Information

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF PROGRAM NET POSITION
JUNE 30, 2014

	<u>Housing Trust Funds</u>	<u>Other Programs</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 95,400	\$1,175,106	\$1,270,506
Investments (at cost)	-	204,063	204,063
Accounts receivable	-	697,944	697,944
Notes receivable	28,262	18,004	46,266
Prepaid expenses	-	4,605	4,605
Total current assets	<u>\$ 123,662</u>	<u>\$2,099,722</u>	<u>\$2,223,384</u>
Noncurrent assets:			
Notes receivable	<u>\$ 90,711</u>	<u>\$ 92,928</u>	<u>\$ 183,639</u>
Fixed assets:			
Furniture and equipment	\$ -	\$ 134,082	\$ 134,082
Building and improvements	-	1,912,671	1,912,671
Total	<u>\$ -</u>	<u>\$2,046,753</u>	<u>\$2,046,753</u>
Less accumulated depreciation	-	(541,191)	(541,191)
Net fixed assets	<u>\$ -</u>	<u>\$1,505,562</u>	<u>\$1,505,562</u>
Total assets	<u>\$ 214,373</u>	<u>\$3,698,212</u>	<u>\$3,912,585</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ -	\$ 356,861	\$ 356,861
Accrued wages and payroll taxes	-	22,298	22,298
Accrued benefits payable	-	18,618	18,618
Unearned revenue	123,662	116,273	239,935
Total current liabilities	<u>\$ 123,662</u>	<u>\$ 514,050</u>	<u>\$ 637,712</u>
NET POSITION:			
Reserved (Note 2)	\$ 90,711	\$ -	\$ 90,711
Unreserved	-	3,184,162	3,184,162
Total net position	<u>\$ 90,711</u>	<u>\$3,184,162</u>	<u>\$3,274,873</u>

See Accompanying Independent Auditor's Report.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2014

	STA Operating Assistance FY2013	Section 18 Operating #18-0031- 070-14	13-RPA -R07	13-MPO- INRCOG
Operating Expenses:				
Contractual Services	\$291,932	\$ 969,442	\$ -	\$ -
Capital Outlay	-	-	-	-
Prior Year	-	-	101,679	288,480
Project Cost	\$291,932	\$ 969,442	\$ 101,679	\$ 288,480
Grant Participation in Project Cost	100%	50%	80%	80%
Percentage Participation	<u>\$291,932</u>	<u>\$ 484,721</u>	<u>\$ 81,343</u>	<u>\$ 230,784</u>
Contract Amount	<u>\$291,932</u>	<u>\$ 355,834</u>	<u>\$ 84,372</u>	<u>\$ 236,465</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$291,932	\$ 355,834	\$ 81,343	\$ 230,784
Less: Grant Payments received in current year	(291,932)	(355,834)	(22,488)	(66,055)
Less: Grant Payments received in prior year	-	-	(58,855)	(164,729)
Grant Receivable/(Payable) at June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

14-MPO- INRCOG	14-RPA -R07	HWY 58 Corridor	University Avenue	CDBG 08- DRH-201	CDBG 08- DRH-001	EDA 05-83- 04982
\$ 278,211	\$ 110,420	\$ 314,578	\$ -	\$1,754,462	\$ 49,901	\$ -
-	-	-	-	-	-	-
-	-	127,691	196,221	1,891,764	1,688,968	128,529
\$ 278,211	\$ 110,420	\$ 442,269	\$ 196,221	\$3,646,226	\$1,738,869	\$ 128,529
80%	80%	80%	80%	100%	100%	50%
<u>\$ 222,569</u>	<u>\$ 88,336</u>	<u>\$ 353,815</u>	<u>\$ 156,977</u>	<u>\$3,646,226</u>	<u>\$1,738,869</u>	<u>\$ 64,264</u>
<u>\$ 273,294</u>	<u>\$ 91,535</u>	<u>\$ 969,680</u>	<u>\$ 160,000</u>	<u>\$4,906,274</u>	<u>\$2,277,643</u>	<u>\$ 61,000</u>
\$ 222,569	\$ 88,336	\$ 353,815	\$ 156,977	\$3,646,226	\$1,738,869	\$ 61,000
(165,513)	(57,396)	(231,551)	(3,101)	(1,572,713)	(32,758)	(8,202)
-	-	(49,823)	(153,876)	(1,686,661)	(1,664,399)	(52,798)
<u>\$ 57,056</u>	<u>\$ 30,940</u>	<u>\$ 72,441</u>	<u>\$ -</u>	<u>\$ 386,852</u>	<u>\$ 41,712</u>	<u>\$ -</u>

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2014

	EDA 05-83- 05378	USDA	Total
Operating Expenses:			
Contractual Services	\$ 104,349	\$ 12,535	\$ 3,885,830
Capital Outlay	-	-	-
Prior Year	-	42,625	4,465,957
Project Cost	\$ 104,349	\$ 55,160	\$ 8,351,787
Grant Participation in Project Cost	50%	100%	
Percentage Participation	<u>\$ 52,174</u>	<u>\$ 55,160</u>	<u>\$ 7,467,170</u>
Contract Amount	<u>\$ 54,900</u>	<u>\$ 56,812</u>	<u>\$ 9,819,741</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 52,174	\$ 55,160	\$ 7,335,019
Less: Grant Payments received in current year	(54,900)	(12,535)	(2,874,978)
Less: Grant Payments received in prior year	-	(42,625)	(3,873,766)
Grant Receivable/(Payable) at June 30, 2014	<u>\$ (2,726)</u>	<u>\$ -</u>	<u>\$ 586,275</u>

See Accompanying Independent Auditor's Report.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-83-05378	\$ 52,174
Indirect:			
Department of Agriculture:			
Rural Development:			
Housing Presentation Grant	10.433	HPG	\$ 12,535
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Black Hawk County:			
Community Development Block Grant	14.228	08-DRH-001	\$ 49,901
Program	14.228	08-DRH-201	1,754,462
			<u>\$1,804,363</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	14-RPA-R07	\$ 55,121
	20.205	14-MPO-R07	221,404
	20.205	NHSX-U-58-1 (91)	251,662
			<u>\$ 528,187</u>
Metropolitan Transportation Planning	20.505	14-RPA-R07	\$ 6,211
	20.505	14-MPO-R07	1,165
			<u>\$ 7,376</u>
Formula Grants for Rural Areas	20.509	18-0031-070-14	\$ 355,834
Urban Mass Transportation Technical			
Studies Grants:			
Planning	20.515	14-RPA-R07	\$ 27,004
Total Indirect Awards			<u>\$2,735,299</u>
Total			<u>\$2,787,473</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of INRCOG and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiainet

(641) 257-4222

or (641) 228-2812

Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors:
Iowa Northland Regional Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of INRCOG, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered INRCOG's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of INRCOG's internal control. Accordingly, I do not express an opinion on the effectiveness of INRCOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of INRCOG's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses were noted.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether INRCOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and,

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of INRCOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, reading "Larry Pump". The signature is written in a cursive, flowing style.

Charles City, Iowa
December 1, 2014



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors:
Iowa Northland Regional Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited Iowa Northland Regional Council of Government's (INRCOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on INRCOG's major federal programs for the year ended June 30, 2014. INRCOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for INRCOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about INRCOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of INRCOG's compliance.

Opinion on Each Major Federal Program

In my opinion, INRCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of INRCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered INRCOG's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of INRCOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. No deficiencies in internal control over compliance I consider to be material weaknesses were noted.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

Charles City, Iowa
December 1, 2014

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 - Community Development Block Grant Program, CFDA Number 20.205 - Highway Planning and Construction and CFDA Number 20.509 - Non-Urban Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) INRCOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-14 Post-dated Checks - Agency checks are being post-dated. Checks written at the beginning of the month have been post-dated to show the prior month end as the date written.

Recommendation - Checks should be written in sequential order and no post-dating should be used.

Response - We will do this.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Questionable Expenses - No expenses I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-14 Travel Expense - No expenses of INRCOG money for travel expenses of spouses of INRCOG officials or employees were noted.
- IV-C-14 Business Transactions - No business transactions between INRCOG and INRCOG officials or employees were noted.
- IV-D-14 Bond Coverage - Surety bond coverage of INRCOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and INRCOG's investment policy were noted.
- IV-F-14 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.